

U. S. TREASURY DEPARTMENT
Internal Revenue Service
Washington 25, D. C.

Alcohol and Tobacco Tax Division
Industry Circular No. 55-21

August 10, 1955

Voluntary Destruction - Distilled Spirits Subject
to Force-Out

Proprietors of internal revenue bonded
warehouses and others concerned:

1. Your attention is called to Revenue Ruling 54-290, Internal Revenue Bulletin 1954-30, 34, providing that where an application for voluntary destruction of distilled spirits in an internal revenue bonded warehouse is timely filed before the expiration of the 8-year storage period but the necessary steps to effect the destruction thereof cannot be completed within such period, the spirits may continue to remain in the warehouse temporarily pending final action on the application. While such revenue ruling was issued under the 1939 Code, the principles expressed therein respecting the timely filing of applications to destroy spirits and the taxability of spirits remaining in warehouse at the expiration of the 8-year storage period are of equal application under the 1954 Code. The new code of course does not require the spirits to be unfit for beverage purposes in order to be eligible for destruction.

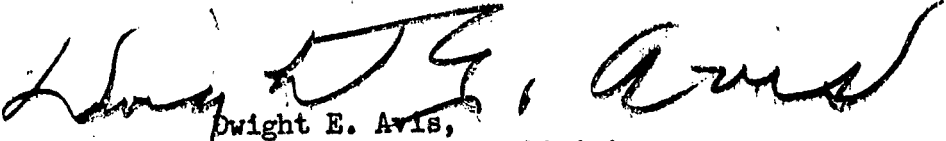
2. Representations have been made that controversies arise in cases where the spirits are held pursuant to warehouse receipts and the owner cannot be immediately located and in cases where the owners are known but refuse to allow the warehouseman to destroy the spirits.

3. Neither the Federal liquor laws, nor the regulations, deal specifically with the relations existing between the warehouseman and the owner of spirits stored in internal revenue bonded warehouses. The law does require withdrawal of the spirits upon payment of the tax, or as otherwise provided, within eight years from the date of original entry. If the spirits are not so withdrawn, the tax becomes due and payable on the basis of the regauge for tax determination, without further loss allowance. This obligation upon the warehouseman cannot be altered by reason of his inability to collect the tax from the owner, or to acquire title to abandoned spirits prior to the eight-year force-out. If a warehouseman intends to file an application for destruction, it is necessary that such application be filed prior to the expiration

of the eighth anniversary of storage. Such an application would be timely filed and would enable the warehouseman to hold the spirits temporarily if necessary in order to complete arrangements for the destruction of the spirits. The filing of a timely application will not preclude taxpayment and withdrawal of the spirits covered by the application if, before destruction is actually effected, it is desired to taxpay and withdraw the spirits.

4. Failure to effect destruction of spirits covered by a timely application within a reasonable time after the expiration of the 8-year period, will result in assessment of tax on the spirits and the consequent loss of the privilege of voluntary destruction without payment of tax.

5. Inquiries in regard to this industry circular should refer to the number thereof and be addressed to the office of your Assistant Regional Commissioner, Alcohol and Tobacco Tax.


Dwight E. Avis,
Director, Alcohol and Tobacco Tax Division.